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## Housing Committee

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### HB 1910

**Brief Description:** Modifying property tax exemption provisions relating to new and rehabilitated multiple-unit dwellings in urban centers to provide affordable housing requirements.

**Sponsors:** Representatives Ormsby, Fromhold, Miloscia, Dunshee, Kenney, Appleton, Darneille, Hasegawa and Morrell.

Brief Summary of Bill
<ul style="list-style-type: none"><li>• Lowers the population requirement for a city to be eligible to offer property tax exemptions for certain multi-unit housing projects to 15,000 people.</li><li>• Adds an affordable housing requirement that multi-unit housing projects must meet to qualify for a property tax exemption.</li></ul>



**Hearing Date:** 2/5/07

**Staff:** Robyn Dupuis (786-7166).

**Background:**

New, rehabilitated or converted multi-unit housing projects in targeted residential areas are eligible for a 10-year property tax exemption offered by eligible and participating cities. The property tax exemption may be applied to new housing construction and the increased value of a building due to rehabilitation. The exemption does not apply to the land or the non-housing improvements. If the property changes use before the 10 year exemption ends, then back taxes are recovered based on the difference between the taxes paid and the taxes that would have been paid without the tax exemption.

Cities with a population of at least 30,000 or the largest city or town in a county planning under the Growth Management Act (GMA) may offer the multi-unit housing property tax exemption.

There are a variety of requirements all multi-unit housing projects must meet, including:

1. The housing must be located in a residential targeted area as designated by the city.

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2. The housing must meet the guidelines as adopted by the city which may include density, size, parking, low-income occupancy and other adopted requirements.
3. 50 percent of the space must be for permanent residential occupancy.
4. New construction must be completed within three years of the application's approval.
5. Property to be rehabilitated must be vacant at least 12 months prior to application.
6. The applicant must enter into a contract with the city and agree to terms and conditions.

Fifty cities qualify to utilize the tax exemption program. Sixteen cities have utilized the program. Two cities (Seattle and Kirkland) include affordable housing requirements for multi-unit housing projects.

### **Summary of Bill:**

Cities eligible to offer the multi-unit housing property tax exemption are those with a population of at least 15,000 people, or the largest city or town located in a county planning under the Growth Management Act.

### **Affordability Requirements**

Multi-unit housing projects must meet housing affordability requirements consisting of the following:

1. Twenty percent of any rental units must be reserved for households making 80 percent of the area median income.
2. Twenty percent of units intended for owner-occupancy must be sold to households making 120 percent of the area median income. If a purchasing household chooses to sell one of the affordable housing units, that household must re-sell the unit to another household making 120 percent of the median income within the 10 year tax exemption period or a lien will be imposed on the land which will be based upon the difference between the property tax paid and the property tax that would have been paid without the tax exemption.

### **Exception to Affordable Housing Requirements**

1. In a high cost area, the affordable housing requirements are expanded. Twenty percent of rental units must be rented to households making up to 100 percent of the area median income and 20 percent of the units intended for owner-occupancy must be sold to households making up to 150 percent of the area median income.

High cost area means a county where the fourth quarter median house price for the previous year is equal to or greater than 130 percent of the statewide median house price.

2. A multi-unit housing developer may choose to fulfill the affordable housing requirements by providing the required number of affordable rental or homeownership units in a location different from the project seeking tax exemption funds so long as the substitute units are compatible in quality and general amenities and provide the same financial benefits to the income qualified household as they would have received in the tax exempt units.
3. A city may choose to provide the affordable housing substitute units itself in order that a multi-unit housing project qualifies for the tax exemption program. Such substitute units may not be located within a previously approved project financed by the Department of Community, Trade and Economic Development (DCTED) or the Washington State Housing Finance Commission and must be paid for or financed with city revenue.

**Reporting Requirements**

All cities which issue certificates of tax exemption for multi-unit housing projects must submit an annual report to the DCTED. The DCTED will establish performance measures upon which the cities must report.

**Appropriation:** None.

**Fiscal Note:** Requested on January 30, 2007.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.